

LEGISLATIVE COUNCIL BRIEF

INLAND REVENUE (AMENDMENT) BILL 2009

INTRODUCTION

A At the meeting of the Executive Council on 21 April 2009, the Council ADVISED and the Chief Executive ORDERED that the Inland Revenue (Amendment) Bill 2009 at **Annex A** be introduced into the Legislative Council to implement the one-off tax reduction for 2008-09 as proposed in the 2009-10 Budget.

JUSTIFICATIONS

2. Members of the public expect the Government to relieve their burden during economic downturns. For the long-term interests of the community as a whole and having regard to the Government's financial position, the Financial Secretary proposed in the 2009-10 Budget, among other one-off revenue concessions, to allow a one-off reduction of 50% of salaries tax and tax under personal assessment for the year of assessment 2008-09, subject to a ceiling of \$6,000. The reduction will be reflected in the taxpayer's final tax payable for 2008-09.

3. To give effect to this concessionary revenue measure, we propose to introduce into the Legislative Council the Inland Revenue (Amendment) Bill 2009.

OTHER OPTIONS

4. We must amend the Inland Revenue Ordinance in order to bring the relevant revenue proposal into effect. There are no other options.

THE BILL

5. The purpose of the Inland Revenue (Amendment) Bill 2009 is to amend the Inland Revenue Ordinance to give effect to the one-off tax reduction for salaries tax and tax charged under personal assessment for the year of assessment 2008-09. Clauses 2 and 3 add a new section 91 and a new Schedule 19 to the Inland Revenue Ordinance to reduce the amounts of salaries tax and tax under personal assessment payable for the year of assessment 2008-09 by 50% or \$6,000, whichever is the lesser.

LEGISLATIVE TIMETABLE

6. The legislative timetable will be as follows -

Publication in the Gazette	30 April 2009
First Reading and commencement of Second Reading debate	13 May 2009
Resumption of Second Reading debate, committee stage and Third Reading	To be notified

IMPLICATIONS OF THE PROPOSAL

7. The proposal has financial and economic implications as set out in **Annex B**. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. The proposal will not affect the binding effect of the existing provisions of the Inland

Revenue Ordinance and its subsidiary legislation. It has no civil service, productivity, environmental or sustainability implications.

PUBLIC CONSULTATION

8. The Financial Secretary has conducted consultations with Legislative Council Members, various business and professional bodies, as well as the general public during the formulation of the 2009-10 Budget.

PUBLICITY

9. A press release will be issued. A spokesman will be available to answer media and public enquiries.

ENQUIRY

10. In case of enquiries about this brief, please contact Mr Kenneth Cheng, Principal Assistant Secretary for Financial Services and the Treasury (Treasury), at 2810 2370.

Financial Services and the Treasury Bureau
April 2009

A BILL

To

Amend the Inland Revenue Ordinance to give effect to the proposals to reduce the amounts of salaries tax and tax under personal assessment payable for the year of assessment 2008/09 made in the Budget introduced by the Government for the 2009–2010 financial year.

Enacted by the Legislative Council.

1. Short title

This Ordinance may be cited as the Inland Revenue (Amendment) Ordinance 2009.

2. Section added

The Inland Revenue Ordinance (Cap. 112) is amended by adding –

“91. Reduction of taxes for year of assessment 2008/09

Schedule 19 contains provisions relating to the reduction of salaries tax and tax under personal assessment for the year of assessment commencing on 1 April 2008.”.

3. Schedule 19 added

The following is added –

“SCHEDULE 19

[s. 91]

**REDUCTION OF TAXES FOR YEAR OF ASSESSMENT
2008/09****1. Salaries tax**

The amount of salaries tax charged under Part III of this Ordinance for the year of assessment commencing on 1 April 2008 is reduced by an amount equivalent to –

- (a) 50% of the amount of the tax as computed under section 13(1) of this Ordinance read together with section 13(2) of this Ordinance; or
- (b) \$6,000,

whichever is the lesser.

2. Tax under personal assessment

(1) The amount of tax charged under Part VII of this Ordinance for the year of assessment commencing on 1 April 2008 is reduced by an amount equivalent to –

- (a) 50% of the amount of the tax as computed under section 43(1) of this Ordinance read together with section 43(1A) of this Ordinance; or
- (b) \$6,000,

whichever is the lesser.

(2) For the purposes of section 43(2B) of this Ordinance, in ascertaining the portion of tax to be charged on each spouse in the year of assessment commencing on 1 April 2008, the amount of tax to be apportioned between the husband and wife is the amount as reduced under subsection (1).”.

Explanatory Memorandum

The purpose of this Bill is to add a new section 91 and a new Schedule 19 to the Inland Revenue Ordinance (Cap. 112) to give effect to the proposals to reduce the amounts of salaries tax and tax under personal assessment payable for the year of assessment 2008/09 made in the 2009–2010 Budget.

Financial Implications

Offering a one-off reduction of salaries tax and tax under personal assessment for 2008-09 by 50%, subject to a ceiling of \$6,000, will cost the Government about \$4,100 million in 2009-10.

Economic Implications

The proposed concessionary tax measure will help relieve the tax burden of individuals. The savings from tax payments can be expected to provide some mild stimulus to consumer spending.